

Testimony Provided to the Kansas Health
Policy Authority

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By
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Good afternoon, I am Marvin Fairbank, Director of Contract Care at Stormont-Vail HealthCare in Topeka. For the organization I want to express our appreciation for the opportunity to present our testimony regarding the financing of Medicaid in Kansas. It is my intention to outline the current situation, and offer possible alternative approaches to the pending changes planned by the Kansas Health Policy Authority.

Kansas health care providers have labored under woefully inadequate Medicaid reimbursements for several years. Recently the Kansas Provider Assessment Program was initiated which mitigated the payment situation with increases of almost 26% for Medicaid hospital patients. Unfortunately, even with that assistance, hospitals are still paid less than their costs to provide services to Medicaid beneficiaries. This is particularly frustrating when the Kansas Health Policy Authority is seeking additional Managed Care Organizations (MCO's) to procure care for the state's Medicaid recipients.

Today there is one MCO, FirstGuard, a subsidiary of Centene, operating in Kansas for Medicaid. Now at the request of the State of Kansas, five additional MCO's, including HealthCare USA, a Coventry subsidiary and Unicare, a Wellpoint subsidiary are vying to get a place in line for a portion of those profits.

In the most recent quarter reported (3/06), Centene's declared profit on Medicaid business was \$8.8 million. During the same period Stormont-Vail's loss was approximately \$.75 million. . . for providing the care! Our perception is that our losses on Medicaid business directly contributed nearly 10% of Centene's profits in that quarter.

From an economic point of view, the State of Kansas, has put providers in the position of having to shift costs to commercial payers, thus "taxing" those purchasing commercial insurance to offset the shortfalls created by the State's inadequate payment system. At the same time, the State has made capitation payments lucrative enough to keep First Guard profitable and entice further participation from MCO's.

After seven years with the current managed care system, the data on MCO vs. Primary Care Case Management Program (Health Connect), shows no significant difference in average length of stay or service intensity in comparable DRG's. We do not see any realistic expectation of substantial value to patients, providers or the state in bringing additional MCO's to the table.

We are fundamentally opposed to the idea of the state's care-giving institutions providing services to the indigent at a loss so that a for-profit company can make millions processing claims, and offering little value to the citizens of Kansas.

We would like to work with the state as partners. The state clearly recognizes the need to provide for the care of indigent people in Kansas. The providers in the state are willing to work with the state to develop an equitable system that will allow them to provide care at a rate of payment that at least meets their costs.

We know our mission and we understand the need to have healthcare accessible to the indigent in our communities. We understand that there are severe limits on finances. We also believe that to date, there has been little empirical evidence of increased quality, health or decreased utilization in the populations handled by the current MCO as compared with the non-MCO. The only clear evidence is that the business of Medicaid procurement is good. There must be a way for us to collaborate to the best outcome possible without creating millionaires in the middle! Let's work together toward that end.

Thank you.